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The Soviet Union and Western Europe: Divided Continent or Common House?

by Angela Stent

Mikhail Gorbachev's dynamic, innovative foreign policy has evoked a major reaction in most parts of the world, but nowhere has the response been as sympathetic — and as active — as in Western Europe. Indeed, the Soviet leader may have more support in Western Europe than at home, where the Soviet population has yet to experience the material benefits of *perestroika*. The enthusiastic reception that the West German public gave him on his recent trip to Bonn indicates just how popular he is in Western Europe. Moreover, West German Foreign Minister Hans-Dietrich Genscher's plea to "take Gorbachev at his word" and actively assist the Soviet Union in its economic and political reform process has been echoed by most West European leaders. They believe that a stronger, economically more viable Soviet Union — one in which *perestroika* has succeeded — will enhance Western security.

Since 1985, the Kremlin has upgraded Western Europe to a foreign policy priority, stressing conciliation over confrontation. Gorbachev has indicated that the Soviet Union no longer regards Western Europe as a potential antagonist, but rather as a long-term cooperative partner in the development of a new, pan-European order, one in which military force will play a diminishing role and where the United States' future remains unclear.

The revived Soviet interest in Western Europe and new vigor in Moscow's activities represent a significant change in Soviet policy, an acknowledgement that the momentum toward European integration is gaining speed and that a more united Western Europe will be a formidable economic and political force in the twenty-first century. Gorbachev and his advisers realize that if the Soviet Union and Eastern Europe fail to take full cognizance of developments in Western Europe, they will become increasingly disadvantaged economically and their reform programs could be jeopardized. Thus,

the new Soviet policy toward Western Europe is oriented toward developing closer bilateral ties with the most important members of the European Community (EC) as well as cultivating multilateral links with the EC and other West European organizations. If the Soviet Union were fully to realize its goals of securing the maximum economic benefits from the process of European integration without endangering the political stability of the Council for Mutual Economic Assistance (CMEA) nations, then relations between NATO and the Warsaw Pact, and within these two alliance systems would certainly change. The political — if not the geographical — map of Europe would in the future look rather different than it does today.

Gorbachev's initiatives toward individual West European countries and toward the EC have been numerous. In seeking to differentiate words from actions and determine whether indeed the Kremlin has a strategy toward Western Europe, it is necessary to look at the Brezhnev legacy, "new thinking" and Western Europe, new elements in Soviet policy, elements of continuity with the past, and future prospects.

Several important questions arise from this examination of Soviet policies: to what extent have Soviet interests and policies changed? Do they represent a long-term strategy or are they essentially *ad hoc* responses to short-term opportunities? What are the implications of these policies for Soviet relations with both halves of Europe and with the U. S.?

The Brezhnev Legacy

One of the hallmarks of "new thinking" in Soviet domestic and foreign policy is to attribute most of the ills of Soviet society and its negative image abroad to the mistakes of the "era of stagnation," the code-word for the Brezhnev era.



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Gorbachev, foreign minister Eduard Shevardnadze and various foreign policy experts have claimed that the discrepancy between the USSR's peace-loving rhetoric and its actual military buildup beyond all reasonable requirements of national security had damaged its image in the West by the early 1980s.¹ Despite the successes of détente, Soviet policy toward Western Europe was faltering at the end of the Brezhnev era because of the deployment of SS-20 missiles and the invasion of Afghanistan.

Nevertheless, even during the chilliest periods of East-West superpower tensions, there was an abiding West European interest in maintaining the gains of European détente of the 1970s. The legacy that Gorbachev inherited, therefore, contrary to what some Soviet commentators claim, was not entirely negative. During the Brezhnev era, the Soviet Union expanded its contacts with Western Europe and increased economic and political cooperation in a number of areas. In essence, Gorbachev only resumed a dialogue with Western Europe that had atrophied in the early 1980's because of the weakness of the Kremlin leadership.

Brezhnev's most important achievement in Western Europe was the normalization of relations with the Federal Republic of Germany (FRG), largely on Soviet terms.² When Willy Brandt became Chancellor in 1969, he reversed two decades of West German policy by agreeing to accept the postwar geographical status quo in Europe, with de facto recognition of the German Democratic Republic (GDR). The Soviet Union secured not only the diplomatic recognition of Eastern Europe from the FRG; it also gained economic benefits from the rapprochement. West Germany became the USSR's largest trading partner in the capitalist world, entering into a variety of long-term compensation deals with Moscow, and increasingly disagreed with the United States over East-West trade and technology transfer.³ By the end of the 1970s, West German public opinion was irreversibly committed to détente.

One reason for the positive German evaluation of détente was that it brought the FRG concrete results. Inter-German relations were normalized and developed quite actively during the 1970s. The Soviet Union, over the initial protests of the GDR, was willing to permit closer human and political ties between the two Germanies, largely because they were economically beneficial for CMEA as a whole.⁴ But the Kremlin also realized that the promise of closer inter-German ties is one of its main bargaining levers with Bonn. After all, the key to German reunification lies in Moscow, not Washington.

During the Brezhnev era, ties with other West European countries fluctuated. Franco-Soviet relations had reached their high point under General Charles de Gaulle, when he removed France from NATO's integrated military command in 1966 and became the first Western head of state to make an official visit to the Soviet Union, thereby ending the USSR's postwar international isolation. Although Franco-Soviet relations deteriorated after de Gaulle's fall — in part because the Soviet Union was more interested in normalizing relations with the FRG — they improved under President Giscard d'Estaing, who, by 1980, was one of the few Western statesmen vocally committed to maintaining détente. His successor, the socialist François Mitterrand, adopted a much tougher stance toward Moscow when he came into office in 1981.⁵

Soviet policy toward Western Europe had focused mainly on cultivating bilateral ties. But under Brezhnev, Moscow increasingly was forced to deal with the EC. The Kremlin had criticized the EC from its founding as an ephemeral capitalist institution beset by internal and transatlantic contradictions and had refused to recognize it. Brezhnev, however, modified Soviet policy toward the Common Market and talks between the EC and CMEA began in 1975, although they were sporadic and unproductive.

A major achievement of the Brezhnev era was the convening of the Conference on Security and Cooperation in Europe (CSCE) and the conclusion of the Helsinki Final Act in 1975. In the first few years following Helsinki, it appeared that the Soviet Union had made considerable gains from CSCE because it secured, via Baskets One and Two, the recognition of Eastern Europe's borders and a commitment to greater East-West economic ties, while largely ignoring the human rights provisions of Basket Three. But since the last years of the Brezhnev era and certainly in the 1980s, the West seems to have made significant gains in securing human rights concessions in Eastern Europe and the Soviet Union.

In the latter part of the 1970s, the Kremlin benefited from increasing public unrest over the presence of American nuclear weapons in Western Europe, particularly in the FRG. Contrary to some Western claims that the Soviet Union had founded and was bankrolling anti-nuclear groups in Western Europe, the evidence suggests that these groups largely arose out of domestic conditions and as a response to some ill-advised U.S. pronouncements on nuclear arms policy. The Soviet Union was, however, able to appeal to the peace groups to plead its case against deployment of U.S. missiles in Europe to counter the Soviet SS-20's.

1 Viacheslav Dashichev, "Vostok-Zapad: Poisk Novykh Otnoshenii O Prioritetakh Vneshnei Politike Sovetskogo Gosudarstva," *Literaturnaia Gazeta*, May 18, 1988.

2 See Angela Stent, "The USSR and Germany," *Problems of Communism*, September-October 1981, pp. 1-33.

3 See Angela Stent, *Technology Transfer to the Soviet Union: A Challenge for the Cohesiveness of the Atlantic Alliance*, Arbeitspapiere zur Internationalen Politik, no. 24 (Bonn: Europa-Union Verlag, 1983).

4 See Angela Stent, "Soviet Policy Toward the German Democratic Republic," in Sarah Terry, ed., *Soviet Policy in Eastern Europe* (New Haven: Yale University Press, 1984), pp. 33-60.

5 See Robert Legvold, "France and Soviet Policy," in Herbert J. Ellison, ed., *Soviet Policy Toward Western Europe* (Seattle: University of Washington Press, 1983), pp. 61-90, and Angela Stent, "Franco-Soviet Relations from de Gaulle to Mitterrand," *French Politics and Society*, Vol. 7, no. 1, Winter 1989, pp. 14-27.

Nevertheless, by the mid-1980s, Soviet attempts to prevent the deployment of Pershing and Cruise missiles had failed, despite public opposition. Moscow responded by criticizing the new Christian Democratic Chancellor Helmut Kohl, virtually suspending relations with West Germany, and in 1984 by preventing GDR leader Erich Honecker from paying what would have been a historic state visit to the FRG.

The decline of détente with Western Europe ultimately had an adverse effect on Soviet relations with Eastern Europe. The East Europeans had a larger economic and political stake in détente than did the Soviet Union, and in the mid-1980s they increasingly objected to the freeze on East-West relations. Thinly-veiled polemics over the special role of smaller states in the détente process broke out between the Soviet Union and some of its allies, notably the GDR and Hungary. By the time Gorbachev came to office, many of Brezhnev's achievements in Western Europe had been undermined, causing problems for Moscow's ties with both halves of Europe.

The European Common House

Europe has occupied a central position in the development and articulation of Gorbachev's foreign policy concepts. The essence of new thinking, according to the Soviet leader, "is very simple: nuclear war cannot be a means of achieving political, economic, ideological or any other goals."⁶ The major components of new thinking are: the renunciation of the international class struggle, a broadened definition of security beyond the purely military, the recognition of the interdependence of nations, a defensive military doctrine, an admission that a future war in Europe is impossible, an implicit renunciation of the "Brezhnev doctrine" in Eastern Europe and a stress on the need for each individual East European country to determine its own path to development.⁷

Whereas Soviet new thinking on relations with Eastern Europe is still somewhat tentative — no doubt because it is the most sensitive and potentially explosive issue for Soviet foreign policy — Soviet thinking on Western Europe has been more explicitly articulated. The heart of the new concept is a phrase that Gorbachev took from Brezhnev — "Europe, our common home," *nash obshchii dom*. The Soviet Union, according to this outlook, is a European power sharing common historical and cultural roots with the continent. Moreover, if Europe is a common home, there can be a variety of connections between its Eastern and Western rooms, encouraging those who want to overcome the division of the continent, or at least mitigate its worst aspects. A few basic questions underlie the discussion: What type of bridge should there be between the Eastern and Western parts of the house? Who has the keys to the front doors and the rooms within? And can the

United States lease a room as a permanent lodger within one of the Western apartments, or is it only a temporary tenant?

Needless to say, the answers to these questions are not entirely clear, because the common home concept is protean and is still taking shape. According to two Foreign Ministry officials, "the system of security in Europe will evidently still long be based on the existence of two military blocs. Greater security will be achieved by adjusting their relations rather than by disbanding them."⁸ Politburo member and Gorbachev advisor Aleksandr Yakovlev, however, has suggested somewhat cryptically that many of the Eastern rooms in the common home could be furnished in the Finnish style.⁹ In the early 1980's there was concern in the United States that Western Europe might become "Finlandized." Now, it appears, the Soviet Union would not rule out Eastern Europe becoming "Finlandized." There is also some ambiguity on the role of the United States, reflecting what must be an ongoing debate in the Soviet foreign policy establishment. Initially, there was emphasis on reducing the U.S. presence in the common home. Now, most officials and scholars accept that the United States will remain a European power, even though some claim that Washington itself does not want this role.¹⁰ The June 1989 joint declaration signed by Gorbachev and Kohl in Bonn explicitly states that the United States and Canada "have their place" in the common European home.

The idea of a common European house is vague enough to appeal to a broad section of European public opinion. It has been endorsed by most West European leaders, because it offers the prospect of a more relaxed atmosphere on the divided continent, and it reinforces the importance of the CSCE process.

One of the major reasons for stressing closer inter-European ties is Gorbachev's desire to create an environment more conducive to East-West economic and technological exchanges. He has acknowledged that if the Soviet Union cannot overcome its technological backwardness and develop a truly modern economy, it will no longer be a superpower in the twenty-first century. Domestic *perestroika* and the transfer of resources from the military to the civilian sector are essential to this process; but the Soviet Union also needs greater economic interaction with the West. The idea of a common European home is largely motivated by the desire to encourage significantly greater West European economic involvement in the Soviet Union and Eastern Europe. It is also designed to persuade the Europeans to use their influence in Washington in favor of a more accommodating American policy toward the USSR. Gorbachev has stressed the flexibility of the architecture of the common home, and his rhetoric toward Western Europe has become conciliatory. He takes the CSCE process

6 Mikhail S. Gorbachev, *Perestroika* (New York: Harper and Row, 1987), pp. 140-141.

7 See Robert Legvold, *Gorbachev's "New Thinking": How Should the West Respond?* (New York: Foreign Policy Association, Headline Series, no. 284, 1988), and Seweryn Bialer, "New Thinking and Soviet Foreign Policy," *Survival*, July/August 1988, pp. 291-309.

8 Mikhail Amirdzhanov and Mikhail Cherkasov, "Our Common European Home," *International Affairs*, no. 1, 1989, p. 28.

9 See Guenther Gaus' interview with Aleksandr Yakovlev, *Die Zeit*, May 12, 1989.

10 Amirdzhanov, *op. cit.*

more seriously than did his predecessors. Soviet new thinking has already changed the climate of expectations in Europe.

The INF Agreement

One of the most visible examples of a change in Soviet policy toward Western Europe (even though technically it involved an agreement with the United States) was the December 1987 treaty eliminating intermediate-range nuclear weapons in Europe. This involved significant Soviet concessions, specifically the delinking of INF and the Strategic Defense Initiative, the exclusion of the French and British nuclear deterrents from calculations, and the acceptance of intrusive on-site verification procedures for the first time in any East-West arms control agreement. By compromising on issues that previously were deemed non-negotiable, Gorbachev signalled that the Soviet Union was seriously interested in arms control.

In the long run, the Soviet Union may well reap benefits from these INF concessions. From an economic point of view, the INF treaty will not involve the transfer of significant resources from the military to the civilian economy. Politically, however, the INF treaty has enhanced Gorbachev's popularity in Western Europe, cementing his image as a sincere proponent of peace and disarmament, and has reinforced his campaign for the denuclearization of Europe. Even though some European governments were initially skeptical about the agreement, their publics were by and large enthusiastic. Through the INF treaty, Gorbachev has largely undone the damage of the Brezhnev era and reversed the image of a Soviet Union inexorably bent on an endless military buildup.

Moreover, the INF agreement has exacerbated disagreements within NATO over the future of short-range nuclear weapons modernization. The May 1989 NATO compromise — offering to negotiate an agreement on reductions in short-range weapons and postponing their modernization if the Soviets first agree to substantial conventional cuts at the Vienna arms negotiations — has, for the time being, de-escalated the conflict between the FRG and its major allies. However, these disagreements could flare up in the future.¹¹

Since the INF treaty, Gorbachev has made further unilateral arms reductions: the December 1988 announcement of a cutback of 500,000 troops and 10,000 tanks — some of which already have been withdrawn from Eastern Europe — and the May 1989 pledge to remove unilaterally 500 short-range missiles from Eastern Europe. These initiatives have diminished the European belief in the existence of a Soviet military threat and have intensified conflicts within NATO over how to respond to Soviet moves. The INF treaty and subsequent arms reduction proposals have, therefore, created a political climate in Europe more favorable than it has ever been to East-West cooperation on a variety of levels.

The Federal Republic of Germany

The Soviet Union has revived its détente with the Federal Republic of Germany, restoring it to the position of its most important interlocutor in Western Europe. Gorbachev did not initially rush to improve ties with Bonn, but waited until Chancellor Kohl was re-elected in January 1987 to resume regular, high-level contacts. By then, the Kremlin decided that it had nothing to gain by continuing to cold-shoulder the government. The Christian Democrat-Free Democrat coalition would be in power for another four years, and if Gorbachev was truly interested in pursuing a more dynamic policy toward Western Europe, West Germany remained the key country politically and economically, especially given France's continuing restraint toward Moscow. Moreover, the West Germans had for some time signalled that they wanted to improve their ties with the Soviet Union and Eastern Europe.

The upgrading of relations involved visits to Moscow by the FRG leadership including the December 1987 trip by Franz-Josef Strauss, the conservative Bavarian leader who was an inveterate anti-communist. Strauss returned from Moscow proclaiming that it was no longer necessary to fear an "offensive, aggressive intention" from the Soviet Union. With this rejection of the idea of a Soviet threat, there was a consensus among all major political parties that West Germany should cooperate with the Soviet Union. The improvement in West German-Soviet relations was graphically evident in Gorbachev's first summit in the FRG in June 1989, where he spoke of a "qualitatively new" era in ties between Bonn and Moscow.

The bilateral German-Soviet relationship is, of course, intimately connected to the trilateral relationship between Moscow, East Berlin and Bonn. The Kremlin has always sought to use the carrot of closer inter-German ties to remind Bonn that, if it wants its *Deutschlandpolitik* to bear fruit, it must pursue cooperative ties with Moscow. In a major gesture to the FRG in 1987, the Soviet Union permitted Erich Honecker to visit the FRG. With Gorbachev in power, the East German desire to maintain détente no longer challenged Soviet power in Eastern Europe. Indeed, the Soviets were satisfied with the visit, since it reinforced the existence of two German states and increased Honecker's own profile.

Any revival of Soviet-West German relations inevitably raises concerns about the future of the German question. Indeed, Gorbachev and his advisors have, from time to time, dropped tantalizing hints about the future of Germany. Recently, Valentin Falin, head of the Central Committee's International Department and a German expert, claimed that a reunited Germany "would not worry Moscow." And during his final press conference in Bonn, Gorbachev said, in answer to a question about the Berlin Wall, that "nothing was eter-

11 See Lynn E. Davis, "Lessons of the INF Treaty," *Foreign Affairs*, Spring, 1988, pp. 720-734; Jeffrey Record and David Rivkin, "Defending Post-INF Europe," *Ibid.*, pp. 735-754; Robert Blackwill, "Conceptual Problems of Conventional Arms Control," *International Security*, Vol. 12, no. 4, 1988, pp. 28-47.

nal.”¹² Despite these occasional intimations of a changed Soviet policy on Germany, there is no solid evidence that Gorbachev and his advisors have renounced the traditional Soviet policy of favoring the existence of two German states.

The European Community

Soviet policy toward a united Europe has significantly changed in the past four years. Soviet scholars have re-evaluated the three-decade old view of the EC as weak and doomed to fail. They stress that the Community, especially after the introduction in 1992 of a single European market, will become a dynamic, technologically powerful group of countries, potentially competitive with the United States and Japan.¹³ The Soviets not only take seriously the process of economic integration — they also realize that closer political and security cooperation through the framework of the West European Union are bound to follow the development of the Single Market.¹⁴ They have belatedly realized that European integration represents the wave of the future.

In June 1988, the EC and the CMEA signed an agreement. Although falling short of *de jure* recognition, it is a formal mutual acknowledgement within a framework agreement. It has already opened the way for direct treaty talks between the EC and Hungary and the EC and other CMEA members. The Soviet Union has also begun negotiations with the EC on a bilateral agreement. Hungary has even voiced an interest in joining the Community, but that is clearly a question for the longer-term.

The major reason for Gorbachev's reversal of thirty years of Soviet non-recognition of the EC is the realization of the economic potential of post-1992 Europe and the fear that, if it fails to deal with the Community, CMEA may be at a great disadvantage after 1992. The Soviets would like to harness the economic and technological might of the EC to help CMEA manufactured exports become competitive on world markets, thereby lessening their dependence on raw material exports and increasing their hard currency earnings.¹⁵ Although the Soviet Foreign Ministry's approach to dealing with the EC remains ambivalent on a day-to-day basis, in the long run the USSR realizes that must change. Whatever its lingering reservations about the concept of European integration, and its preference for bilateral over multilateral contacts, it has no choice but to intensify ties with the EC if CMEA is to become economically viable on the world market.

The European Left

The Soviet Union has re-evaluated its ties with all elements of the political spectrum in Western Europe, including the Left, reassessing its view of socialists and social democrats and downgrading the role of communist parties. It has also adopted a more positive attitude toward “new social movements,” including anti-nuclear groups, environmental groups and other non-traditional parties, all part of the new thinking about the common problems of humanity that affect the globe.

In upgrading the role of social democratic parties and reversing the traditional Soviet criticism of socialism, Gorbachev has continued a process begun during the Brezhnev era but discontinued toward its end. In July 1985, marking the fiftieth anniversary of the Seventh Comintern Congress, *Pravda* hailed the adoption of the popular front policy that encouraged cooperation between socialists and communists, signalling this change in Soviet policy.¹⁶

Under Gorbachev, Soviet scholars have revised their views of bourgeois democracy and its role within the capitalist system. They have commented positively on the domestic programs of social democratic parties and governments in Europe.¹⁷ They have praised the foreign policy programs of the major parties, especially the West German Social Democratic Party (SPD), whose foreign policy, it is often noted, is very much in line with Gorbachev's new thinking.¹⁸ Vitalii Zhurkin, Director of the Academy of Science's Institute for Europe (founded under Gorbachev) attended the recent Congress of the Italian Socialist Party and spoke of an increasing convergence of Soviet and Italian socialist views on foreign policy. Moreover, Zhurkin praised the socialists' commitment to European integration and said that the Soviet Union supported the process, positions that, while endorsed by the Italian communists, are rejected by the French and Portuguese communists.¹⁹ Soviet writers also advocate closer cooperation between socialists and communists in Europe and praise the Socialist International.²⁰

One reason for this new emphasis is the realization that the West European communist parties are in decline. In the mid-1970s, the Italian, French and Spanish communist parties were gaining electoral support and it appeared likely that they would come to power in coalition governments. When this finally happened in France, from 1981-84, the communists lost credibility as they engaged in a variety of dialectical gymnastics in order to support both the Soviet Union and President Mitterrand. The French communists have now become in-

12 See Gorbachev's remarks in *The New York Times*, June 16, 1989.

13 Iu. Borko, “O Nekotorykh Aspektakh Izucheniia Protssosov Zapadnoevropeiskoi Integratsii,” *Mirovaia Ekonomika i Mezhdunarodnye Otnosheniia* (hereafter known as *MEMO*), no. 2, 1988, pp. 35-50; “Posledstviia Formirovaniia Edinogo Rynka Evropeiskogo Soobshchestva,” *MEMO*, no. 4, 1989, pp. 45-49.

14 G. Burduli, “Vozrazhdenie Zapadnoevropeiskogo Soiuzu,” *MEMO*, no. 4, 1989, pp. 45-49.

15 Amirdzhanov, *op. cit.*, p. 34, and “Posledstviia,” *op. cit.*, pp. 42-44.

16 *Pravda*, July 25, 1985.

17 See the series of articles in *Komsomolskaia Pravda*, August 1988, reporting on the visit of a Soviet delegation under Leonid Abalkin and Abel Agenbegyan to Sweden.

18 Andrei Zagorsky, “The Quest for Alternatives,” *International Affairs*, no. 3, 1988, pp. 64-71.

19 Interview by Liberi Lizzardi in *Avanti*, May 20, 1989.

20 Iu. Krasin, “Novoe Myshleniie o Vzaimootnosheniakh Kommunistov i Sotsial Demokratov,” *MEMO*, no. 4, 1988, pp. 23-32; A. Galkin, “Novoe Politicheskoe Myshleniie i Problemy Rabochego Dvizheniia,” *MEMO*, no. 5, 1988, pp. 31-42.

The Harriman Institute Forum

creasingly marginal in French political life and the party is conflict-ridden and much less enamored of *glasnost* and *perestroika* than are people within the Soviet Union and Eastern Europe. The Spanish Communist Party is also divided and declining and the Italian Communist Party has lost support. It has also renounced democratic centralism and has adopted policies that call into question whether it can still be called communist in any recognizable sense of the word.

The decline of communism and the rise of new social movements have led to a re-evaluation of the left in Europe and to the positive evaluation of the role of church-based anti-nuclear and ecological groups. This is now possible under Gorbachev because, since Chernobyl, discussion of environmental and ecological issues has burgeoned within the Soviet Union. The Kremlin no longer has to pursue the untenable policy of encouraging protests against Western ecological and nuclear power policies while maintaining that there is nothing to criticize in the Soviet Union. Moreover, the new social movements, like the European socialists, support Gorbachev's 1986 plan to rid the world of nuclear weapons and his other disarmament initiatives.²¹ Ultimately, the convergence of views between Gorbachev's Russia and the broad spectrum of the West European left may create momentum for an international left-of-center movement that will transcend the traditional struggle between the communist and socialist internationals.

Economic Ties

The Soviet Union has always been interested in economic ties with Western Europe and has pursued them quite actively. The economic relationship is complementary, involving the exchange of Soviet raw materials for finished Western goods. Under Brezhnev, East-West trade in Europe increased considerably, reaching its high point in the early 1980s. Even during the most tense political times, both the Soviet Union and Western Europe continued to pursue the economic relationship, and no West European country was willing to impose sanctions on the Soviet Union after Afghanistan. Gorbachev has continued past Soviet policy; but, unlike his predecessors, he has begun to reform the foreign trade sector in order to intensify economic ties with the West.

Gorbachev's focus is, of course, domestic economic reform; but the international economic environment has made it particularly difficult for his reforms to succeed. The Soviet Union is, in international terms, a one-crop economy, with energy exports to the West providing seventy percent of Soviet hard currency earnings, and oil alone fifty-five percent. Nine months after Gorbachev came to power, oil prices began to

fall, plunging from twenty-eight dollars a barrel to below ten dollars in 1986, then rising, but continuing to be volatile. Moreover, shortly before the price collapse, the dollar began to fall against West European currencies. The Soviets sell their oil and gas in dollar-denominated currencies and purchase machinery primarily from the FRG, France and Japan, whose currencies have risen against the dollar. They were, therefore, doubly affected by the falling dollar. By some estimates, Moscow has lost up to sixty billion dollars in hydrocarbon revenues since 1985 because of falling oil prices.²² It also takes more oil sales to pay for machinery imports than before.

Gorbachev tackled the foreign aspects of *perestroika* by introducing legislation designed to make Soviet goods more competitive internationally. The September 1986 Foreign Trade Law provided broader rights for Soviet enterprises to engage in cooperation with other CMEA countries and legalized joint ventures with the West. Other reforms have changed the top organization of the foreign trade apparatus and have decentralized decision-making in certain key areas.²³

A number of crucial questions about foreign trade remain unanswered: what is the relationship of internal to export prices? Will the ruble become convertible? Without radical changes in the pricing mechanism — currently Soviet export prices are determined by the world market, whereas domestic prices often bear little resemblance to supply and demand or to world market prices — it is difficult to see how the Soviets can make the ruble convertible or significantly increase their international economic participation, although they are pressing to join the GATT and possibly the IMF.

Gorbachev hopes that the new law on joint ventures will encourage the West to invest in the Soviet market. The major target of the new law is Western Europe, and several deals have been negotiated or are under discussion. Still, a number of problems have arisen. The Soviets want to use joint ventures to produce goods for export to the West to earn hard currency, but the European firms are more interested in producing for the Soviet market. Moreover, since no Soviet foreign trade organization has been able to negotiate independently for sixty years, there is some confusion about how a more decentralized system is supposed to function. Key issues of labor and management remain unanswered — except on a deal-by-deal basis. A December 1988 decree on foreign trade attempted to address some of these problems in a more radical way than did previous legislation; but the obstacles to a significant increase in joint ventures, especially in heavy industry and high-technology, remain.

The major West European partner in Soviet joint ventures is Finland, followed closely by West Germany. It is clear that Gorbachev's liberalization of the foreign trade system is pri-

21 See Olga Alexandrovna, *Die neuen sozialen Bewegungen in Westen aus der Sicht der sowjetischen Ideologie und Gesellschaftswissenschaft* (Cologne: Berichte des Bundesinstituts fuer ostwissenschaftliche und internationale Studien, no. 57, 1988).

22 Thane Gustafson, *Gorbachev's Dilemmas: Toward a Radical Reform for Soviet Energy?* (Cambridge: Cambridge Energy Research Associates Private Report, May 1989).

23 Joan F. McIntyre, "Soviet Attempts to Revamp the Foreign Trade Sector," in Congress of the United States, Joint Economic Committee, *Gorbachev's Economic Plans*, Vol. 2 (Washington: 1987).

marily aimed at the FRG, which has responded positively to Soviet economic initiatives. Moreover, West Germany has begun a program of training Soviet managers in Western business techniques. As Leonid Abalkin, Gorbachev's chief economic advisor, said when asked what was most important for *perestroika* to succeed, "The most important thing came during Chancellor Kohl's visit to Moscow, when he promised to train annually a thousand young Soviet industrial cadres in Germany in the techniques of Western business management. Germany will benefit from this, but we much more still."²⁴

Despite the renewed West European interest in economic ties with the Soviet Union, the prospects for major Soviet technological growth through Western imports are not encouraging. East-West trade has stagnated during the past few years, largely because of falling oil prices, and the outlook for the next few years is unfavorable.²⁵ Even though West German-Soviet trade rose last year, the growth was solely due to the increase in West German exports. Soviet imports fell. Despite a general West German interest in importing from the USSR, Soviet semi-finished and finished goods are not competitive in the German market.²⁶

In order for Gorbachev's reforms to work, the Soviet Union needs to improve its technological level so that it can produce manufactured goods that are competitive internationally. But there are limits to how effectively the economy can absorb and diffuse Western technology unless Gorbachev introduces far more radical domestic reforms than he already has. The systemic barriers within the Soviet Union to the domestic development of high technology also impede the USSR's ability to utilize imported technology. Nevertheless, it is likely that Gorbachev will continue to pursue economic ties with Western Europe as the major hope for rapid technological progress.

Implications And Future Prospects

There is much that is new, both in word and deed, in Soviet policy toward Western Europe: the stress on approaching Western Europe as a whole, the acceptance of the reality and durability of European integration, the improvement of bilateral relations with various countries, and the encouragement of closer East-West European links. The prospect after 1992 of a single European market of 320 million people has had a major impact on Gorbachev's thinking.

There is, however, another dimension to Soviet policy toward Western Europe, namely the transatlantic one. Has this aspect of Soviet policy changed? A traditional Soviet goal has been to encourage fissures within the Atlantic alliance, to weaken Western unity. Gorbachev, Shevardnadze and others deny that they want to promote intra-NATO tensions or split the Western alliance. They claim that, in the new, interdepen-

dent world, it makes no sense to encourage problems within the Western alliance.

So far, when one examines Gorbachev's words and deeds, he appears to be following past Soviet policy, but with a changed emphasis. The Kremlin encourages splits within the Western alliance inasmuch as these splits are in the Soviet interest. But it favors West-West dialogue and cooperation if that best enhances Soviet security, and under Gorbachev there has been more stress on intra-Western cooperation. For instance, the Soviet Union was well served by the United States using its influence on its allies to accept the INF agreement, over their initial reservations. Similarly, Moscow has also benefited from the West European conviction that one should respond positively to Soviet feelers and take more initiatives in East-West cooperation and from the Europeans' attempts to convince Washington to adopt this position.

On the other hand, when it appears that the United States is committed to a position inimical to Soviet interests and one that the West Europeans also dislike, then Moscow will seek to encourage transatlantic splits. In the area of East-West technology transfer, for instance, where the United States and its allies have long been at loggerheads and where there are few prospects for compromise, the Kremlin upholds the European position that restrictions should be lifted and encourages the Europeans to speak out against American domination of COCOM, the Paris-based committee that coordinates Western export control policy. In Cologne, for instance, Gorbachev described the "notorious COCOM list" as "anti-European."²⁷ In much of the writing on new thinking, there is criticism of American attempts to impose Washington's will on Western Europe.

This raises the question of Gorbachev's views on a possible U.S. withdrawal from Europe. Like his predecessors, he appears to favor a U.S. presence in Europe, because it stabilizes the situation and because a U.S. withdrawal would create a vacuum that might be filled by a much stronger and more unpredictable European military alliance. As Soviet Ambassador to Bonn Yulii Kvitsinskii recently told German journalists, Moscow prefers to see the FRG firmly anchored in the Western alliance because its withdrawal could inspire Eastern bloc countries to leave the Warsaw Pact, a move which might threaten four decades of peace in Europe.²⁸ In the final analysis, the U.S. presence guarantees for the Soviet Union a predictable, stable order in a divided Europe.

The new Soviet administration, like its predecessors, has a dualistic attitude toward West European cooperation. Despite the CMEA-EC agreement, the Kremlin remains suspicious of European integration if it creates a coherent political and military as well as economic alliance. An integrated Western Europe could present an attractive model for Eastern Europe, independent of the Soviet Union. It could also com-

24 Marie Lavigne, *Prospects for Soviet Trade Reform*, paper presented at the Institute for Defense Analyses, Alexandria, Va., February 23, 1989.

25 Heinrich Machowski, "Ost-West Handel Stagniert Weiter," *Deutsches Institut fuer Wirtschaftsforschung*, Berlin, *Wochenbericht*, no. 44, 1988.

26 Jochen Bethkenhagen, "Osthandel 1988: Auftriebskraft noch immer Schwach," *Ibid.*, no. 16, 1989.

27 *The Week in Germany*, June 16, 1989, p. 5.

28 *The Washington Post*, March 18, 1989.

The Harriman Institute Forum

plicate Soviet attempts to play one bilateral relationship off against the other, particularly Germany against France. By contrast, some aspects of European integration — particularly the current attempts to pursue a common policy of rapprochement with Moscow — serve Soviet interests quite well.

New thinking, therefore, has not overcome traditional Soviet fears about a united West. It has, however, provided the theoretical basis for viewing West European cooperation with less suspicion. Gorbachev stresses the vaguely-defined notion of the Common European home without seriously calling into question the geographical status quo in Europe. Yet the political status quo in Eastern Europe has already begun to change, and this may ultimately have far-reaching implications for the interior and exterior design of the home.

So far, the elements of dynamism and change in Soviet policy toward Western Europe do not amount to a totally coherent strategy; some aspects of Gorbachev's policies are still evolving, partly as a response to developments in the West over which Gorbachev has no control. The Soviet leadership is still formulating its policy toward Western Europe as it gropes toward imbuing new thinking with concrete form.

Even though Gorbachev's policy is still evolving, it has already had a major impact in Western Europe and is prompting a vigorous transatlantic debate on how the West should respond to Soviet moves. There have always been transatlantic disagreements over policy toward the Soviet Union. The current one focuses not on whether Gorbachev's leadership is a positive development, but on how far to meet his proposals, how deeply involved economically the West should be with the East, and what the political-military future of NATO should be in an era of diminishing Soviet threat. There is also disagreement on how the West should prepare itself for Gorbachev's possible failure. The major West European governments favor a concerted, coherent, active policy of rapprochement. The United States is still formulating its policy, although it appears, by and large, to subscribe to a policy of encouraging change through rapprochement. Nevertheless,

there are differences within the NATO alliance over what Western policy should be.

Gorbachev's strategy toward Western Europe combines continuity and the more successful aspects of Brezhnev's policies with a conceptually new approach toward intra-European relations. It suggests that the Soviet Union is indeed modifying its definition of security to one less determined by the perceived need for military dominance and more accepting of the need for a variety of closer intra-European ties. It has its roots in a re-evaluation of European integration, but is also a response to short-term opportunities in Western Europe and challenges in Eastern Europe. The fundamental goal is to ensure the economic and political viability of Eastern Europe, maintain the division of the continent and protect Soviet security needs, although the assessment of these needs, especially as concerns Soviet control over Eastern Europe, is changing.

Soviet officials admit that the economic prospects for the construction of a common European home are much less promising than are the political, military and humanitarian. Yet the economic impulse behind Gorbachev's European diplomacy is pre-eminent. If the economic situation in CMEA continues to deteriorate, this could prompt new Soviet political or military initiatives in Western Europe to elicit Western assistance. These Soviet offers might find a more positive response in Western Europe than in the United States. Thus, the situation is sufficiently fluid to render the formulation of a united Western policy extremely difficult.

Forty years ago, NATO's first Secretary-General, Lord Ismay, explained that NATO was founded "to keep the Russians out, the Americans in and the Germans down." If Soviet policy continues along the lines laid down by Gorbachev, the alliance may have to re-examine all three aspects of this troika by the start of the next millenium.

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